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Senate Approves De La Torre Bill to Limit Individual Health Insurance Cancellations

AB 2 highlights the need for reform, protects patients from wrongful rescissions

SACRAMENTO, Calif. – The Senate approved Assembly Bill 2, by Assemblymember Hector De La Torre (D-South Gate), which will prevent the insurance industry from rescinding patients' healthcare policies without state oversight, with a bi-partisan vote of 24-13.

Assembly Bill 2 will require individual health care service plans to have an independent automatic external review before denying or rescinding coverage. The bill also requires all plans to complete medical underwriting prior to issuing a contract and allows a consumer the ability to opt-out. Assembly Bill 2 only applies to individual market, and will not apply to group market.

Both the Department of Managed Health Care and the Department of Insurance have ordered health plans to reinstate health policies for thousands of Californians. In fact, both agencies have settled hundreds of cases, resulting in multi-million dollar penalties. Several major California health insurance companies have expressed their support for external review of their decisions to rescind or cancel policies.

"The insurance industry has made billions by unfairly canceling health policies, with little to no oversight before rescinding a patient's insurance coverage. AB 2 protects consumers and will put an end to this shameful practice," said De La Torre. "People who get sick deserve to get the treatment they need and the coverage for services that they paid for and anything less is unacceptable."

"Despite current laws, insurers are finding ways to illegally cancel health policies, stranding innocent patients when they most need coverage," said Dr. Dev GnanaDev, President of the California Medical Association. "It is not sufficient to give insurance companies what amounts to a slap on the wrist; the time has come for an external review process to protect patients. Assembly Bill 2 will ensure that health plans and insurers do not act as 'judge and jury,' whenever they want to rescind or cancel a policy."

Assembly Bill 2 now heads to the Assembly for a concurrence vote.

Background:

Since 2007, De La Torre has played a leading role in the Capitol in preventing wrongful rescissions from insurance companies and protecting consumers from being stranded by their healthcare provider when they need coverage the most.

De La Torre introduced a similar bill last year, AB 1945, that passed both the Senate and the Assembly with bipartisan support but was vetoed by Governor Schwarzenegger. De La Torre successfully authored Assembly Bill 1324 in 2007 which prohibits health insurers from denying payment for treatment they had already approved before rescinding their consumer's policy. Governor Schwarzenegger signed AB 1324.

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